

Promoting improvements in health care and facilities. A nonprofit organization formed to encourage and assist in establishment of nonprofit regional health data systems, to conduct studies and propose improvements with regard to quality, utilization, and effectiveness of health care and health care agencies, and to educate those involved in furnishing, administering, and financing health care is operated exclusively for scientific and educational purposes and qualifies for exemption under section 501(c)(3) of the Code; Rev. Rul. 74-553 distinguished.

Advice has been requested whether the nonprofit organization described below, which otherwise qualifies for exemption from Federal income tax under section 501(c)(3) of the Internal Revenue Code of 1954, is operated exclusively for scientific and educational purposes.

The organization was organized to encourage and assist in the establishment of nonprofit regional health data systems, to conduct scientific studies with regard to the quality, utilization, and effectiveness of health care agencies, to educate those involved in furnishing, administering, and financing health care as to the deficiencies in the quality, utilization, and effectiveness of health care and health care agencies, and to make proposals to remedy such deficiencies.

The information compiled by the organization provides data which is useful for a number of purposes, including, but not limited to, reviewing patient management patterns, planning for regional and community health needs, and conducting epidemiological research. The organization offers and furnishes aid in the development and establishment of uniform health data record-keeping and reporting procedures to provide compatibility of data. It conducts scientific studies on means and methods of effectively analyzing the quality and use of health care systems. It also conducts an educational program in conjunction with its annual meeting. All of the services of the organization are made available to health care institutions, governmental bodies, and the general public, without charge, and on a nondiscriminatory basis. By providing these services the organization seeks to increase the efficiency and reduce the cost of health care. The organization has no regulatory authority.

Membership in the organization is composed of active and associate members. Each of its active members is a nonprofit operator of a regional health data collection program which cooperates with the health care agencies in a geographically identifiable area and regularly disseminates regional health data for that area. Associate members are hospital associations, medical associations, medical record associations, health insurance associations, hospital accreditation associations, and other organizations that are interested in furthering the

objectives of the organization.

The organization is financed by membership dues and grants from organizations and governmental agencies. Its expenses are incurred in holding the annual meeting, including seminars lectures, and conferences, and in administering its programs.

Section 501(c)(3) of the Code provides for the exemption from Federal income tax of organizations organized and operated exclusively for scientific or educational purposes.

Section 1.501(c)(3)-1(d)(3) of the Income Tax Regulations defines the term 'educational,' as used in section 501(c)(3) of the Code, as relating to the instruction of the public on subjects useful to the individual and beneficial to the community.

Section 1.501(c)(3)-1(d)(5) of the regulations states that the term 'scientific,' as used in section 501(c)(3) of the Code, includes the carrying on of scientific research in the public interest. Scientific research will be regarded as carried on in the public interest if such research is directed toward benefitting the public.

An organization that employs a professional research staff to conduct social science research under contracts with governmental agencies and makes the results of that research available to the public through seminar courses and other comparable means qualifies for exemption as an educational and scientific organization described in section 501(c)(3) of the Code. See Rev. Rul. 65-60, 1965-1 C.B. 231.

An organization formed to develop scientific methods for the diagnosis, prevention, and treatment of diseases, and to disseminate the results of its developmental work to members of the medical profession and the general public qualifies under section 501(c)(3) of the Code. See Rev. Rul. 65-298, 1965-2 C.B. 163.

By improving and enlarging the body of knowledge concerning current usage of health facilities and methods of treatment, the organization seeks to create a more efficient use of the nation's health facilities, and to aid in the planning of better care for future health needs.

The organization is distinguishable from the one considered in Rev. Rul. 74-553, 1974-2 C.B. 168. That Revenue Ruling holds that a nonprofit organization formed by members of a state medical association to operate peer review boards and carry on other related research and oversight functions for the primary purpose of establishing and maintaining standards for quality, quantity, and reasonableness of cost of medical services qualifies for exemption under section 501(c)(6) of the Code, but not under section 501(c)(3).

The organization in question, on the other hand, is exclusively concerned with the research and study of existing health care facilities, the dissemination of the results of such studies, and the discovery or determination of methods and practices that will provide better medical services to the general public. While such research and study does have an indirect relationship to the ultimate costs of medical services, the research and study are not carried on to set standards for or to police the industry but to provide educational and scientific benefits to the general public.

Accordingly, the organization is operated exclusively for educational and scientific purposes and thus qualifies for exemption from Federal income tax under section 501(c)(3) of the Code.

Even though an organization considers itself within the scope of this Revenue Ruling, it must file an application on Form 1023, Application for Recognition of Exemption, in order to be recognized by the Service as exempt under section 501(c)(3) of the Code. The application should be filed with the District Director of Internal Revenue for the district in which is located the principal place of business or principal office of the corporation. See section 1.501(a)-1 and 1.508-1(a) of the regulations.

Rev. Rul. 74-553 is distinguished.